

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6301**

**BILL NUMBER:** SB 334

**NOTE PREPARED:** Nov 22, 2002

**BILL AMENDED:**

**SUBJECT:** Property tax exemptions.

**FIRST AUTHOR:** Sen. Howard

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill reduces the period during which a property tax exemption applies to land under development for exempt purposes and to undeveloped land intended to be developed for exempt purposes.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The state levies a small tax rate for State Fair and State Forestry. Any increase in the assessed value base, as described below, would increase the property tax revenue for these two funds.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, up to 15 acres of land on which an exempt building is to be erected is also exempt for most qualifying organizations except educational institutions, which may exempt up to 150 acres, and 4-H associations, which may exempt up to 200 acres. The land owner must show substantial progress toward erecting the building within *three years* of the land purchase and each year thereafter in order to continue to qualify for the exemption. One measure of substantial progress is the existence of dedicated cash reserves that indicate building completion within *three years*.

This bill would require the land owner to demonstrate substantial progress toward erecting the building within *one year* of the land purchase. The bill also redefines the cash reserve measure of substantial progress

as the existence of reserves that indicate building completion within *two years*.

This bill could put otherwise exempt land back on the tax rolls for additional years if the owner cannot demonstrate progress toward erecting an exempt building within the first year of ownership, rather than the third year. The addition of the property's assessed valuation to the tax base would cause a shift of the property tax burden from all taxpayers to the taxpayers no longer receiving the exemptions in the form of a reduced tax rate. The actual fiscal impact depends on the amount of property that would be disqualified from exemption under this proposal.

**State Agencies Affected:**

**Local Agencies Affected:** County auditors.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859